



2002 Legislative Report Bob Morton

WASHINGTON STATE SENATOR • 7th LEGISLATIVE DISTRICT

"It is an honor and a privilege to serve the 7th Legislative District. To best serve you, I must hear your thoughts, so please do not hesitate to contact me."

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Senate Standing Committees:

- Environment, Energy & Water, Ranking Republican
- Natural Resources, Parks & Shorelines

Special Committees:

- Legislative Transportation Committee
- Joint Task Force on Rural Land Use and Economic Development
- Joint Select Committee on Water Policy
- Western Legislative Forestry Task Force, past Chairman
- Select Committee on Forest Resources

Dear neighbors:

We finished the 60-day regular session at the stroke of midnight on March 14. Although it is good to be home, this session left a bitter taste in my mouth.

Had there been any guarantee we could have worked out the budget difficulties to pass a sustainable budget that did not mortgage the future of our state, I would have preferred to stay in Olympia to work it out. Unfortunately, a sustainable budget was not in the cards, given Olympia's current political climate.

Transportation, water, and funding to local governments were also of major concern this session. Unfortunately, practical remedies for these problems were either ignored or missed the mark entirely.

Although much of what came from this session is difficult to swallow, some hard-fought battles were won, like bringing the state's new transportation revenue package to a vote of the people – a move I strongly supported, and one that was affirmed by more than 90 percent of those who participated in the pre-session 7th Legislative District Transportation Survey.

Despite the ups and downs brought by the 2002 legislative session, it is always my pleasure to come home and provide you with information. Here is a start.

Cordially yours,

Sen. Bob Morton

The Budget

I would have thought that the Legislature learned its lesson last year after passing a budget that spent nearly \$700 million more than the state was receiving in revenues. I was wrong – and things only got worse. Soon after session

began, we learned that the latest revenue forecast put the remainder of the two-year budget \$1.6 billion in the red – revenues were dropping sharply.

For the remainder of the 2001-03 biennium, revenues will be \$1.137 billion less than

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Budget Facts – Where are your tax dollars going?

- The state auditor found that of the 129,119 enrollees in the Basic Health Plan, the state's subsidized health care program, 33,515 people were permitted to remain enrolled without their eligibility ever being verified.
- State spending on miscellaneous goods and services has grown nearly six times the rate of inflation over the last five years.
- Out-of-state travel by state employees has grown more than eight times the rate of inflation over the last five years.
- Since 1990, the number of state employees rose more than 25 percent from 81,000 to 102,000, making state government Washington's largest employer.
- Since 1990, the number of lawsuits filed against the state has grown 49 percent, reaching nearly 4,000 claims in 2001 and costing the state \$109 million in payouts during the last two years.

anticipated, and costs will be \$328 million higher – mostly because of higher K-12 education enrollments, higher costs and caseloads in Medicaid and corrections, and judgment payouts from lawsuits against the state.

We had a large task at hand in revising the budget, and very little of the state's once \$1.2 billion "Rainy Day" fund left to bail us out.

Instead of reevaluating our priorities, and digging into ongoing budget problems, only superficial changes were made to balance the budget.

The Plan

The Democrat majorities in the Senate and the House each released supplemental operating budget plans for the remainder of the state fiscal year. The budgets were similar, but not identical. Negotiations brought these budgets together and, just days before the end of session, the revised state operating budget was approved and sent to the governor.

The budget makes cuts in state programs and services, uses significant amounts of "one-time" money from the state's emergency reserve fund, closes some state parks, and increases new revenue by joining other states in "The Big Game" lottery. New taxes are also imposed on direct mail advertising, shipping, and out-of-state repair services performed on tangible personal property of Washington consumers.

Even these approaches were not enough and, with little of the "Rainy Day" fund left to balance the budget, the tobacco settlement money was **too tempting** for some.

Tobacco Settlement "Mortgaging"

The state will sell bonds to raise \$525 million by securitizing (mortgaging) 25 percent of the revenue stream from the settlement. State Treasurer Michael Murphy and Attorney General Christine Gregoire, both

Democrats, were vocal in their disapproval of securitizing these funds, saying the state could end up getting as little as 25 cents for every dollar bonded.

I believe this budget sets us up for a trip back to Olympia. Some predict the band-aids applied won't hold and a special session might have to be called in June after the next revenue forecast. While that is in doubt, one thing everyone agrees on is that the **state will face a \$1 billion budget hole going into the 2003-05 biennium.**

This poor fiscal decision mortgages the future of our state. And where does it end? In the future, budget writers could securitize the sales tax for one-time money — or the gas tax — or any revenue stream. The tobacco securitization plan is an easy one-time solution instead of making tougher, sustainable budget choices.

Practical Budget Solutions Ignored for Deficit Spending

When the Legislature adopted a budget last year that spent \$700 million more than expected revenues, Senate Republicans began preparing for the worst. Republican leadership and its Ways and Means membership worked with staff in an attempt to examine every nook and cranny of the budget, looking for possible cuts and ways to make government more efficient. The goal — to preserve essential services and eliminate unnecessary expenses. The RIGHT Approach, an acronym for the \$1.5 billion in savings options given below, was the result of that hard work:

\$1.5 Billion in Savings Options

- **Reduce state employment costs** (\$258 million)
- **Institute a "Best Practices" model for the state's rising medical expenditures** (\$318 million)
- **Give agency heads authority to contract out where appropriate** (\$100 million)
- **Help identify efficiencies and non-core services** (\$477 million)
- **Take support costs down to a reasonable level** (\$301 million)

The RIGHT Approach could have created a sustainable budget for the 2003-2005 biennium without a general tax increase, without reliance on increased gambling revenues or stealing Pro-Share nursing home dollars, and without using "one-time" money, such as the tobacco settlement.

The RIGHT Approach included the following proposals, none of which were given much consideration by the Democratic leadership:

- **SB 6813** - Freezes state hiring in non-essential services (\$194 million in savings)
- **SB 6824** - Implements State Auditor's findings concerning non-eligible persons receiving subsidized health care insurance coverage through the state's Basic Health Plan (\$100 million savings)
- **SB 6827** - Creates a premium schedule for state employee health benefits based on salary (\$49 million savings)
- **SB 6841** - Ensures the state is liable for only its share of fault. Judgments over \$1 million for one person or \$2 million for a group must be referred to the Legislature for approval and appropriation (\$48 million savings)
- Amend **Initiative 773** to permit use of new tobacco tax for health programs other than the Basic Health Plan

Pay as You Go

The budget deficit is serious and should have been addressed months ago. The longer we wait to truly address it, the more we **put essential government services at risk** — fire, law enforcement, and public health.

To address the deficit, I introduced **Senate Joint Memorial 8039**, directing the governor to implement across-the-board budget cuts and a "pay as you go" plan.

- The governor already has the power to order across-the-board reductions in state spending when revenue projections are down, but instead waited months for the Legislature to act as the problem worsened.
- The "pay as you go" plan was based upon actual monthly revenues and would have required the governor to enact



across-the-board budget cuts sufficient to cover any deficits for the month, bringing our state's spending in-line with revenues.

If revenues for the month were down 1 percent, all state spending would have been cut by 1 percent for the month, including agency programs and employee compensation – *yes, that meant my pay, too*. We need to live within our means and not spend more than we receive.

Government Land Purchases

There is no other way to say it — local governments were left in the cold this winter with the passage of the revised budget. Money promised by the state to make up for lost motor vehicle excise tax revenues was largely rescinded, putting the future of essential services for residents of many counties at risk.

To save these essential services and the financial security of local governments, I introduced **Senate Bill 6474**, a proposal to limit state government land purchases.

Federal, state, and local governments, and other non-taxpaying entities own more than 70 percent of the landmass of Ferry, Okanogan, Chelan, and other counties within Washington. Although some entities pay “in lieu of property tax payments,” most do not, compromising local government's ability to raise the property tax revenues needed to provide its citizens with law enforcement, public health, fire, and other essential services.

To make matters worse, there is also a growing inability for counties to generate revenues from use of the land for production purposes, like agriculture, mining and forestry, because the land is tied up by the government.

Senate Bill 6474, as originally introduced, addressed this problem by reducing state government's ability to buy more land. No more than five acres of land could be purchased by state agencies where nontaxable land exceeds 70 percent without approval of the county legislative authority.

This would have greatly assisted local governments in receiving the revenues necessary to provide their citizens with essential government services while restraining the

growth of state government land ownership.

Transportation

A statewide transportation new revenue package, accompanied by a project list, will appear on the November 2002 ballot for voters to decide. The measure includes a gas tax increase of nine-cents-per-gallon, a 1 percent sales tax increase on new and used vehicles, and a 30 percent increase in truck gross weight fees.

Although I supported the efforts to allow this package to go to a vote of the public, I did not support the package itself. With an average annual per capita income of \$40,905 in King County, I believe a nine-cent-per-gallon gas tax may be affordable to those who live in Puget Sound. However, with an average annual per capita income of \$16,031 in Ferry County, this increase is simply unaffordable.

Another major concern I had with this package was the increase in truck gross weight fees. The economy of the Northeast region of Washington is largely dependent upon the trucking industry.

The trucking industry was more than willing to accept its share of the responsibility by agreeing to a 20 percent increase over two years, but the package increases the fees by 30 percent. I believe this will have a negative impact on our local economy.

Trucking Weight Limits

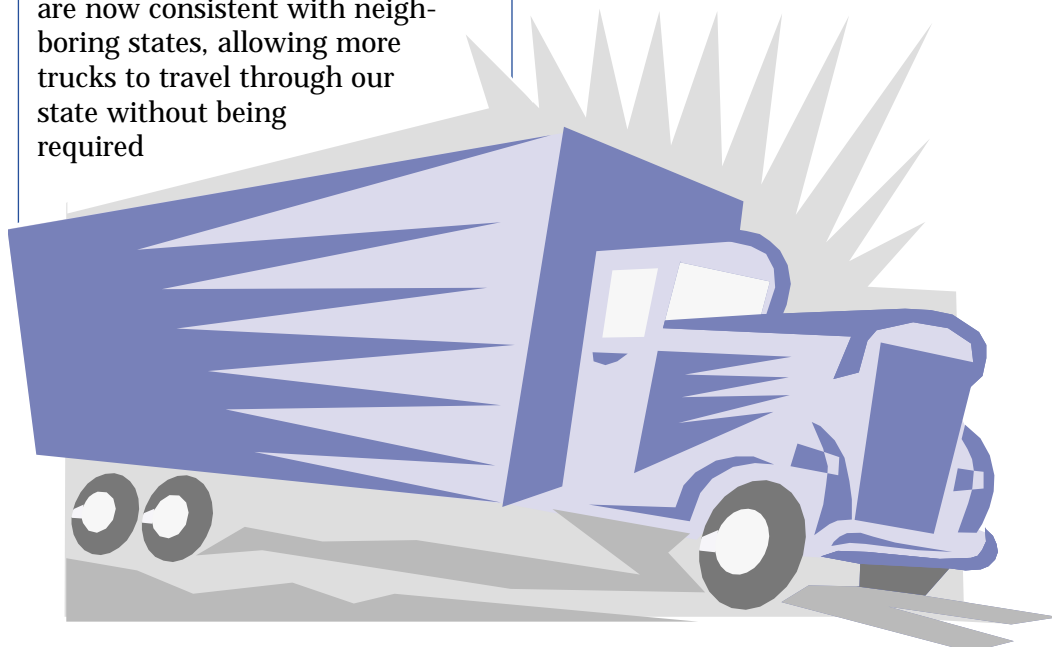
We were able to do one thing that will help our trucking industry. Our state's trucking weight limits are now consistent with neighboring states, allowing more trucks to travel through our state without being required

to weigh-in and have their books checked. This change will also benefit the agriculture industry and other producers of commodities moved by truck.

Although **Senate Bill 5138** seems like a no-brainer, recent terrorist attacks made some think twice about exempting larger commercial vehicles from weighing in. Changes to my bill were prompted during public testimony in the House Transportation Committee when the Washington State Patrol expressed concern, citing the use of large-scale commercial vehicles in carrying out terrorist attacks, like the 1993 bombing of the World Trade Center and the 1995 Oklahoma City bombing.

Although having lower weight limits than surrounding states has created a real hassle for truckers in bordering counties, I was not willing to put convenience above public safety. I immediately worked with the State Patrol to safely bring our state's weight limits into consistency with bordering states.

The end result – the bill, as signed by the governor, does not require tow trucks without a tow to weigh in, regardless of weight. It also exempts farm vehicles carrying produce and weighing 26,000 pounds or less from having to stop at open weigh stations. Rental trucks however, like those used in various terrorist attacks, are required to weigh in.



Water

The 2002 legislative session began after months of collaborative water policy meetings, which included all interested parties. The meetings resulted in four priorities for the session:

- Instream flows;
- Water for growing communities;
- Use it or lose it policies; and
- Funding for water infrastructure.

Unfortunately, those were the same four components NOT INCLUDED in **House Bill 2993**, the session's water package. This bill provides a variety of tools for local watershed planning, although despite my efforts, key components for farmers were not made the focus.

Congratulations to Curlew High School Academic Decathlon Team

I was pleased to sponsor a resolution on the floor of the state Senate to honor the Curlew High School academic decathlon team for its outstanding third-place showing at the state competition. This team and its coach, Karen Schaaf, have sacrificed a great deal to place among the state's top academic decathlon competitors. Their dedication is admirable.



Sen. Morton welcomes members of the Curlew High School academic decathlon team to the state reception room at the Capitol building in Olympia. The team was in town to accept a Senate Resolution in their honor.

7th Legislative District

Representing the people of:

- Pend Oreille
- Stevens
- Ferry
- Lincoln
- Okanogan and
- Spokane counties

